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British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission Superintendent of Securities,
Prince Edward Island
Nova Scotia Securities Commission Superintendent of Securities,
Newfoundland and Labrador Superintendent of Securities,
Northwest Territories Superintendent of Securities,
Yukon Territory Superintendent of Securities, Nunavut

John Stevenson
Secretary Ontario Securities Commission
20 Queen Street West, Suite 1903,
Box 55
Toronto, ON M5H 3S8

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246,
tour de la Bourse Montréal (Québec) H4Z 1G3

Re: Proposed Amendments to National Instrument 31-103: Cost Disclosure and Performance Reporting

I am writing to provide comments to the proposed amendments to *National Instrument 31-103 Registration Requirements and Exemptions: Cost Disclosure and Performance Reporting* (the "Proposals"), published on June 24, 2011.

I welcome the opportunity to provide my comments and hope that all the comments received by the various commissions will be considered before implementing the proposed amendments. The comments made by the Investment Funds Institute of Canada are all valid and I am pleased to expand on a few points.

I can fully comprehend the position behind the proposed amendments with the client's best interests being of the utmost importance but at what cost. The client may visually benefit with more meaningful cost and performance reporting but these amendments may have the potential to result in the advisor incurring higher costs and fees that will be ultimately borne by clients.

Personal Overview

I am an independent advisor with Independent Planning Group Inc. who is an independently owned Canadian level four mutual fund dealer. I have been in the financial services industry for 17 years and have many clients relying on my independent advice.

I am also affiliated with IPG Insurance Inc., which is a managing general agency (MGA) for life insurance and living benefit products such as disability insurance.

A Typical Mutual Fund Investor

Mutual fund investments were created to allow the average investor the opportunity to obtain professional money management services for very little assets. It is important to educate the investor on his/her investment options that are available in the market place that will help them achieve their goals.

Over the past decade, the industry has taken great strides to educate investors. Unfortunately, we have seen a shift from investors relying on banks and financial advisors for their advice, to deciding that they can manage their own investments independently. Access to information does equate to knowledge. A professional providing unbiased advice and explaining how money works is what the average investor requires.

Financial Advisor Industry

When I began my career the profession was flourishing. Over the past number of years the average age of the advisor has been steadily increasing and the number of new advisors has been dwindling due primarily to the costs associated with being a dually-licensed advisor increasing dramatically. These costs have resulted in barriers of entry for younger advisors to establish their business in this profession. The suggested amendments do not take into consideration the costs associated with having a client and focus only on the costs – actual or potential - to the client.

My experience in dealing with clients has resulted in the following concerns:

- How much do I need to accumulate (retirement or other financial goal)?
- How much do I need to invest now and going forward?

- What rate of return do I require?
- How does the advisor get paid?

I believe that the amendments proposed with regard to cost and performance reporting will create a further imbalance resulting in a regulatory and financial burden on advisors, and it will encourage many more to leave the industry. Not to mention that it is not the top priority of the client. This will result in the financial industry being controlled and dominated by the oligopoly of Canadian banks; which, I strongly believe, is not in the best interests of Canadian investors.

Product Recommendation

It is also possible that the continuous increase in proposed amendments will result in financial advisors recommending segregated funds and other products to their clients, in place of mutual fund investments. This will not always be in the clients' best interest; for example, clients could be subject to the higher MER's of a segregated fund. However, the reality is that this is an attractive option to dually licensed financial advisor, as they can see the benefit in being able to avoid expensive and time consuming regulatory mandates, such as the changes proposed in these amendments.

Overlap with Point of Sale Disclosure and Client Relationship Document

I strongly believe that MFDA dealers should be exempt from having to report and detail compensation earned on each account. This type of disclosure will be provided with the Point of Sale Disclosure and within the Client Relationship Document.

MFDA dealers have already invested many resources into these disclosures, and it is my belief that providing clients with yet another disclosure will inadvertently give clients the impression that mutual fund investments are more expensive than other similar but unregulated products. I am also not aware of any other group of professionals (i.e. accountants, doctors, lawyers) with these types of disclosure requirements; which further creates an uneven playing field for people in the financial services profession.

Overlap of Cost Reporting (MER's include trailer fees)

I believe that MFDA dealers should be exempt from having to report the trailer fees earned, as this disclosure is also reported in the simplified prospectus, the Point of Sale Disclosure and the Client Relationship Document.

Further to the points made in the IFIC comment submission, I agree that an overemphasis on the disclosure of fees and compensation that are already paid by the MER, and included in net return reporting, could be misleading to mutual fund investors.

Quarterly Account Statements

I agree with the comments regarding the importance of providing clients with meaningful information on their account statements. One of the most common requests from clients has been to provide them with an account statement that consolidates all of their holdings, and I agree that performance reporting will provide an added benefit.

However, in order for a dealer to offer a consolidated statement, all holdings would have to be considered as dealer held products; such as Segregated Funds, Guaranteed Investment Certificates, Guaranteed Investment Annuities and other holdings. Without adequate data from various industry networks such as FundServ, or the desire of non-securities based product suppliers to comply with these amendments, an accurate consolidated account statement will never be achievable.

DSC Free Units to Front End Units of the Same Fund

I do not agree with comments regarding advisors moving DSC free units to the sales charge option of the same fund. While this may result in a higher trailer fee for the dealer and advisor, it is cost neutral to the client, provided that the dealer/advisor does not charge a front-end load on the transfer of units.

As well, as DSC free units come available on an annual basis, if the units are not moved into a front end version of the same fund, those eligible free units are lost from a free transfer mobility perspective and could be subject to a fee if the client requests a subsequent redemption. I would recommend that, as is currently the case, the commission and SRO's allow dealers to continue to monitor these activities from a compliance perspective.

Sincerely,

P. Kelleher, CFP, B.Comm. (Hon.)